TOKYO CHUO AUCTION HOLDINGS LIMITED
東京中央拍賣控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1939)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

- The unaudited consolidated revenue of the Group for the six months ended 30 September 2018 amounted to approximately HK$62.9 million, dropped by approximately 0.9% as compared with the same period last year.
- The unaudited consolidated loss attributable to the owners of the Company for the six months ended 30 September 2018 amounted to approximately HK$13.7 million (six months ended 30 September 2017: profit of approximately HK$5.8 million).
- The unaudited consolidated profit attributable to the owners of the Company before listing expenses, changes in fair value of convertibles notes, and other one-off nature expenses related to the listing for the six months ended 30 September 2018 ("Adjusted Profit") was approximately HK$4.4 million (six months ended 30 September 2017: approximately HK$5.8 million).
- For the six months ended 30 September 2018, the basic and diluted loss per share were HK3.65 cents (six months ended 30 September 2017: basic and diluted earnings per share: HK1.55 cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

The board (the "Board") of directors (the "Directors") of Tokyo Chuo Auction Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2018 (the "Reporting Period") together with the comparative figures for the corresponding period in 2017.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Unaudited Six months ended 30 September	
	Note	**2018** **HK$'000**	2017 *HK$'000*
Revenue	7	**62,917**	63,474
Costs of services	10	**(19,447)**	(18,482)
Costs of sales of goods	10	—	(5,516)
Gross profit		**43,470**	39,476
Other losses — net	8	**(4,080)**	(228)
Other income	9	**2,953**	1,760
Selling and distribution expenses	10	**(18,994)**	(17,563)
Administrative expenses	10	**(35,495)**	(14,544)
Operating (loss)/profit		**(12,146)**	8,901
Finance income	11	**89**	6
Finance costs	11	**(193)**	(148)
Finance costs — net	11	**(104)**	(142)
(Loss)/profit before income tax		**(12,250)**	8,759
Income tax expense	12	**(1,370)**	(2,563)
(Loss)/profit for the period		**(13,620)**	6,196
(Loss)/profit attributable to:			
Owners of the Company		**(13,699)**	5,796
Non-controlling interests		**79**	400
		(13,620)	6,196
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
Basic and diluted *(HK cents)*	13	**(HK3.65 cents)**	HK1.55 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(13,620)**	6,196
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	**(4,690)**	(75)
Total other comprehensive loss for the period, net of tax	**(4,690)**	(75)
Total comprehensive (loss)/income for the period	**(18,310)**	6,121
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	**(17,985)**	5,729
Non-controlling interests	**(325)**	392
	(18,310)	6,121

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Note	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**11,793**	13,400
Intangible assets		**590**	558
Deferred income tax assets		**906**	876
Deposits and prepayments	16	**9,694**	16,506
		22,983	31,340
Current assets			
Inventories		**24,275**	23,050
Trade and other receivables	15	**145,215**	423,661
Deposits and prepayments	16	**20,059**	7,187
Amount due from a related company		**—**	14,716
Cash and cash equivalents		**164,855**	70,382
		354,404	538,996
Total assets		**377,387**	570,336
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**—**	—
Reserves		**85,684**	103,669
		85,684	103,669
Non-controlling interests		**6,415**	6,740
Total equity		**92,099**	110,409

	Note	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
LIABILITIES			
Non-current liabilities			
Other payable	20	**6,201**	6,149
Finance lease liabilities	18	**550**	793
Borrowings	18	**1,817**	4,093
Deferred income tax liabilities		**2,470**	2,591
		11,038	13,626
Current liabilities			
Trade and other payables and accruals	20	**206,532**	370,820
Amount due to the Controlling Shareholder		**—**	11,686
Amount due to a former director		**—**	1,000
Finance lease liabilities	18	**405**	467
Borrowings	18	**18,845**	43,972
Convertible notes	19	**42,890**	—
Current income tax liabilities		**5,578**	18,356
		274,250	446,301
Total liabilities		**285,288**	459,927
Total equity and liabilities		**377,387**	570,336

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Tokyo Chuo Auction Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of the Company's registered office is Room 2601, 26/F, Wing on Centre, No. 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries principally engage in the provision of auction and related services as well as artwork sales in Hong Kong and Japan.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This interim condensed consolidated financial information is presented in Hong Kong dollars ("HK$'000") unless otherwise stated and has been approved for issue by the Board on 27 November 2018.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the year ended 31 March 2018 that is included in the interim condensed consolidated financial information for the six months ended 30 September 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

3 ACCOUNTING POLICIES

Save as disclosed in Note 4, the accounting policies applied to this interim condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2018 as described in the Company's prospectus, except for the estimation of income tax and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following are new and amended standards and interpretations which are mandatory for the first time for the financial year beginning 1 April 2018 but have no material impact to the Group:

The following amendments to standards are mandatory for the first time for the financial year beginning on or after 1 April 2018 and currently relevant to the Group:

- Amendments to HKFRS 1 and HKAS 28, "Annual Improvements 2014–2016 Cycle"
- Amendments to HKFRS 2, "Classification and Measurement of Share-based Payment Transactions"
- Amendments to HKFRS 4, "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"
- HKFRS 9, "Financial Instruments"
- HKFRS 15, "Revenue from Contracts with Customers"
- Amendments to HKFRS 15, "Clarifications to HKFRS 15"
- Amendments to HKAS 40, "Transfers of Investment Property"
- HK(IFRIC)-Int 22, "Foreign Currency Transactions and Advance Consideration"

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" are disclosed in Note 4 below.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 April 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HK(IFRIC) lnt 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet determined by HKICPA

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-of-use assets) and a financial liability (the lease liability) to pay rentals are recognised on the consolidated balance sheet. In the consolidated income statement, rental expenses are not recognised while amortisation arising from the right-of-use assets and interest expense on the lease liabilities are recognised. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 30 September 2018, the Group had non-cancellable minimum operating lease commitments of approximately HK$13,225,000, which are not reflected in the interim condensed consolidated balance sheet.

Based on management's assessment, the initial adoption of HKFRS 16 in the future will not result in any significant impact on the Group's net financial position and results of operation, notwithstanding the increase in right-of-use assets and lease liabilities in the Group's financial statements. The adoption of HKFRS 16 would also not affect the Group's total cash flows in respect of the leases.

Mandatory application date/date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

4 CHANGES IN ACCOUNTING POLICIES

The following explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial information and also disclose the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9(7.2.15), comparative figures have not been restated.

However, the Group has reviewed its financial assets and liabilities and assessed that the new standard had no material impact on the Group's financial assets and liabilities.

(b) HKFRS 9 Financial Instruments — Accounting policies

(i) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other (losses)/gains — net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the interim condensed consolidated income statement.

There was no change to the classification and measurement of the financial instruments.

(iii) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group has trade receivables and other receivables that are subject to HKFRS 9's new ECL model.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 April 2018.

(c) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective method. The Group has assessed that the adoption had no material impact on the Group's financial information.

(d) HKFRS 15 Revenue from Contracts with Customers — Accounting policies

(i) Commission revenue

The Group earns commission revenue from both buyer and seller through the auction sales in which the Group mainly acts as the role of auctioneer as well as promoting the sales through professional marketing techniques provided. The commission revenue is calculated as a percentage of the hammer price of the artwork sold at the auction in accordance with the contracts between the Group and the buyer and the seller. The Group also recorded revenue generated from private sales arranged by the Group on behalf of the consignors. The Group may act as an agent by matching the needs of consignors to those of buyers by private sales. In return, the Group collect commissions which are determined through negotiation with both buyers and sellers, usually representing the difference between the purchase price paid by the buyers and the selling price as pre-agreed by the sellers and the Group.

The Group's entitlement to commission income includes an element of consideration that is variable or contingent on the outcome of future events. Actual commission income to be received is dependent upon, among others, the completion of transaction between buyers and sellers, and price concession based on customary industry practice. Prior to the adoption of HKFRS 15, the Group recognised revenue upon the completion of the auction sale as evidenced by the fall of auctioneer's hammer and when the collectability of the related receivables from the buyer is reasonably assured. For private sales, commission revenue is recognised upon completion of the private sale and when the collectability of the related receivable is reasonably assured.

Under HKFRS 15, the Group is required to estimate the amount of consideration to which it will be entitled from the provision of auction services and private sales. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable taking into consideration of the risk of fallen through and price concession based on customary industry practice, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This change in accounting policy had no material impact on the Group's retained profits as at 1 April 2018.

(ii) Revenue from other services relating to auctions

In relation to the auctions organised, the Group also earns other services income from catalogue preparation, or insurance charged to the sellers for artworks in preparation for and placed in the auctions, and they are recognised as revenue when the related services are rendered.

(iii) Revenue from artwork sales

Revenue from sale of artworks is recognised upon the transfer of risks and rewards of ownerships, which generally coincides with the time when the goods are delivered to customers and title has passed.

5 ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31 March 2018, except for impairment of financial assets (see note 4b(iii)).

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Group ("CODM") that make strategic decisions. The CODM assesses the performance of the operating segments based on a measure of gross profit for the purpose of allocating resources.

The management has identified two operating segments based on the types of revenues, namely (i) operation of art auction and related business and (ii) artwork sales.

The segment information provided to the CODM for current period and the comparative figures are as follows:

	Unaudited For the six months ended 30 September 2018		
	Operation of art auction and related business *HK$'000*	**Artwork sales** *HK$'000*	**Total** *HK$'000*
Segment revenue from external customers	**62,917**	**—**	**62,917**
Costs of services/sales of goods	**(19,447)**	**—**	**(19,447)**
Segment results	**43,470**	**—**	**43,470**
Other losses — net			**(4,080)**
Other income			**2,953**
Selling and distribution expenses			**(18,994)**
Administrative expenses			**(35,495)**
Operating loss			**(12,146)**
Finance costs — net			**(104)**
Loss before income tax			**(12,250)**
Income tax expense			**(1,370)**
Loss for the period			**(13,620)**

	Unaudited For the six months ended 30 September 2017		
	Operation of art auction and related business	Artwork sales	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue from external customers	57,416	6,058	63,474
Costs of services/sales of goods	(18,482)	(5,516)	(23,998)
Segment results	38,934	542	39,476
Other losses — net			(228)
Other income			1,760
Selling and distribution expenses			(17,563)
Administrative expenses			(14,544)
Operating profit			8,901
Finance costs — net			(142)
Profit before income tax			8,759
Income tax expense			(2,563)
Profit for the period			6,196

Revenue from external customers, by geographical area, is as follows:

	Unaudited For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**23,350**	20,842
Japan	**39,567**	42,632
	62,917	63,474

Information on segment assets and segment liabilities of the Group are not reviewed by CODM for the purpose of resource allocation and performance assessment as at 30 September 2018 and 31 March 2018 nor otherwise regularly provided to the CODM. As a result, no analysis of segment assets and segment liabilities is presented.

Non-current assets, other than deferred income tax assets, by geographical area are as follows:

	Unaudited As at 30 September 2018 *HK$'000*	Audited As at 31 March 2018 *HK$'000*
Hong Kong	**4,709**	5,115
Japan	**17,368**	25,349
	22,077	30,464

7 REVENUE

	Unaudited Six months ended 30 September 2018 *HK$'000*	2017 *HK$'000*
Revenue from art auction and related business	**62,917**	57,416
Artwork sales	**—**	6,058
	62,917	63,474

All customers individually accounted for less than 10% of the Group's revenue during the periods ended 30 September 2018 (2017: same).

8 OTHER LOSSES — NET

	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000
Exchange gain/(loss)	**125**	(79)
Loss on disposal of property, plant and equipment, net	**(99)**	(108)
Changes in cash surrender values of key management life insurance contracts	**(16)**	(41)
Changes in fair value of convertible notes	**(4,090)**	—
	(4,080)	(228)

9 OTHER INCOME

	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000
Miscellaneous income *(Note (a))*	**—**	736
Others *(Note (b))*	**2,953**	1,024
	2,953	1,760

Note:

(a) The amount mainly represented miscellaneous handling fees charged to customers during the auctions in Japan.

(b) Other income mainly represented bidding deposits forfeited and penalties from the buyers.

10 EXPENSES BY NATURE

	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000
Cost of inventories sold	—	5,516
Rental and setup costs for auction and preview exhibition venues	**12,886**	14,942
Catalogue expenses	**5,540**	4,243
Operating lease rentals in respect of rented premises	**3,865**	2,424
Agency commissions	**904**	1,650
Advertising and promotion expenses	**3,590**	3,382
Transportation	**1,695**	1,487
Travelling	**2,623**	2,410
Entertainment	**1,528**	941
Business hospitality	**1,199**	1,127
Consulting fee	**1,775**	613
Employee benefit expenses	**15,193**	10,388
Depreciation of property, plant and equipment	**1,351**	714
Amortisation of intangible assets	**35**	23
Auditor's remuneration — audit service	**400**	25
Listing expenses	**13,466**	—
Provision for bad and doubtful debts	**526**	—
Others	**7,360**	6,220
Total costs of sales of goods, costs of services, selling and distribution expenses and administrative expenses	**73,936**	56,105

11 FINANCE COSTS — NET

	Unaudited Six months ended 30 September **2018** *HK$'000*	2017 *HK$'000*
Finance income:		
— Interest income on bank deposits	**89**	6
Finance costs:		
— Interest expense on finance lease liabilities	**(14)**	(43)
— Interest expense on bank borrowings	**(179)**	(105)
	(193)	(148)
Finance costs — net	**(104)**	(142)

12 INCOME TAX EXPENSE

The amounts of income tax expense charged to the interim condensed consolidated income statements represent:

	Unaudited Six months ended 30 September **2018** *HK$'000*	2017 *HK$'000*
Current income tax		
— Hong Kong	**504**	650
— Japan	**907**	1,183
Total current income tax	**1,411**	1,833
Deferred income tax	**(41)**	730
Income tax expense	**1,370**	2,563

(a) Hong Kong profits tax

For the period ended 30 September 2018, the Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two tiered profits tax rates, whereby profits tax will be chargeable on the first HK$2 million of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5%. Hong Kong profits tax of other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% on the estimated assessable profits. For the period ended 30 September 2017, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits.

(b) Japan corporate income tax

Japan corporate income tax has been calculated on the estimated assessable profit for the period ended 30 September 2018 at the rates of taxation prevailing in Japan in which the Group operates. The Group is subject to national corporate income tax, inhabitant tax, and enterprise tax in Japan, which in aggregate, resulted in effective statutory income tax rate of approximately 35.3% for the period ended 30 September 2018 (2017: 35.8%).

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the period ended 30 September 2018.

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit attributable to the owners of the Company (*HK$'000*)	**(13,699)**	5,796
Weighted average number of ordinary shares in issue	**100**	100
Bonus issue *(Note (i))*	**374,967,178**	374,967,178
	374,967,278	374,967,278
Basic (loss)/earnings per share *(HK cents)*	**(HK3.65 cents)**	HK1.55 cents

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares during the period ended 30 September 2017 and accordingly the diluted earnings per share equals basic earnings per share. For the six months ended 30 September 2018, the convertible notes were not dilutive potential ordinary shares as they could not be converted until the Company completes its qualified initial public offering and such contingent event had not taken place and accordingly the diluted loss per share equals basic loss per share.

Note (i):

On 11 October 2018, pursuant to the shareholders' resolution, a bonus issue of 374,967,178 shares were allotted upon successful listing of the Company. The weighted average number of shares for the purpose of basic and diluted (loss)/earnings per share for the six months ended 30 September 2018 and 2017 in connection with such bonus shares issued has been retrospectively adjusted to the beginning of the period.

14 DIVIDEND

No dividend has been paid or declared by the Company or companies now comprising the Group during the period ended 30 September 2018 (2017: Nil).

15 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2018 ***HK$'000***	Audited As at 31 March 2018 *HK$'000*
Trade receivables	**9,874**	45,979
Less: provision for bad and doubtful debts	**(189)**	(202)
Trade receivables — net	**9,685**	45,777
Other receivables		
— Receivables from buyers in respect of auction and related business	**105,254**	338,395
— Consignor advance	**27,271**	15,151
— Input value-added tax recoverable	**556**	23,257
— Others	**2,449**	1,081
Trade and other receivables	**145,215**	423,661

The Group grants credit period of 7 days for commission receivables and 30 days for receivables from artwork sales. The aging analysis of trade receivables based on invoice date, before provision for impairment, as at 30 September 2018 was as follows:

	Unaudited As at 30 September 2018 ***HK$'000***	Audited As at 31 March 2018 *HK$'000*
Trade receivables — gross		
— Within 30 days	**9,411**	21,597
— 1 to 3 months	**—**	—
— 3 to 6 months	**83**	20,243
— 6 to 12 months	**380**	2,667
— Over 1 year	**—**	1,472
	9,874	45,979

16 DEPOSITS AND PREPAYMENTS

	Unaudited As at 30 September 2018 *HK$'000*	Audited As at 31 March 2018 *HK$'000*
Current portion:		
— Deposits and prepayments	**20,059**	7,187
Non-current portion:		
— Rental and other deposits	**4,256**	4,236
— Key management life insurance contracts *(Note a)*	**5,438**	12,270
	9,694	16,506
	29,753	23,693

As at 30 September 2018 and 31 March 2018, the fair value of deposits of the Group approximated their carrying amounts.

Note a:

Certain key management life insurance contracts were terminated in July and August 2018.

17 SHARE CAPITAL

	Unaudited As at 30 September 2018 *HK$'000*	Audited As at 31 March 2018 *HK$'000*
Issued and fully paid:		
100 ordinary shares	**—**	—

As at 30 September 2018, the amount of issued and fully paid share capital was HK$100 (31 March 2018: HK$100).

The Group has conditionally adopted the share option scheme on 13 September 2018 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the new shares. As of the date of this announcement, no share options have been granted under the scheme.

On 11 October 2018, the Company issued 96,520,000 ordinary shares listed on the Main Board of the Hong Kong Stock Exchange at HK$1.50 per share, and raised gross proceeds of approximately HK$144,780,000.

On 11 October 2018, a bonus issue of 374,967,178 shares were allotted upon successful listing of the Company.

All of the convertible notes were converted into 28,512,722 ordinary shares on 11 October 2018.

18 BORROWINGS AND FINANCE LEASE LIABILITIES

	Unaudited As at 30 September 2018 ***HK$'000***	Audited As at 31 March 2018 *HK$'000*
Non-current		
Finance lease liabilities *(Note (a))*	**550**	793
Bank borrowings *(Note (b))*	**1,817**	4,093
	2,367	4,886
Current		
Finance lease liabilities *(Note (a))*	**405**	467
Bank borrowings *(Note (b))*	**18,845**	43,972
	19,250	44,439
Total borrowings	**21,617**	49,325

(a) Finance lease liabilities

As at 30 September 2018, the finance leases are secured by the Group's motor vehicles with carrying values of HK$997,000 (31 March 2018: HK$1,301,000). The rights to the leased asset are reverted to the lessors in the event of default of the lease liabilities by the Group.

(b) Bank borrowings

As at 30 September 2018 and 31 March 2018, all the bank borrowings are denominated in Japanese Yen.

As at 31 March 2018, the Group's banking facilities are guaranteed by (i) personal guarantees from Mr. Ando, (ii) corporate guarantee from a related party, and (iii) third party corporate guarantee. The personal guarantees provided by the Group's director were released in April and May 2018. Corporate guarantee provided by a related company and third party corporate were released in May and April 2018 respectively.

The effective interest rates of bank borrowings as at 30 September 2018 were 0.5% to 0.8% per annum (31 March 2018: 0.8% to 2.4% per annum).

As at 30 September 2018 and 31 March 2018, the fair value of bank borrowings approximated their carrying amounts.

Movements in borrowings are analyzed as follows:

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
As at 1 April	**48,065**	28,012
Net repayment of bank borrowings	**(25,030)**	(2,092)
Exchange differences	**(2,373)**	(9)
As at 30 September	**20,662**	25,911

19 CONVERTIBLE NOTES

In April 2018, the Company entered into agreements with six independent investors in relation to their subscriptions of the Company's convertible notes totalling approximately HK$38,800,000. The outstanding principal amount of these convertible notes shall be automatically and mandatorily converted into fully paid shares of the Company upon successful initial public offering in recognised stock exchange according to a formula prescribed in the subscription agreements. The convertible notes bear interest at 1% per annum. The convertible notes will mature upon 12 months from the date of the subscription, subject to mutual agreement between the Company to extend for a further 12-month period. These convertible notes are designated as financial liabilities at fair value through profit or loss with fair value changes being charged or credited to the consolidated income statement, except for the amount of changes that is attributable to changes in own credit risk which is presented in other comprehensive income.

On 11 October 2018, all convertible notes were converted into 28,152,722 ordinary shares of the Company.

The movement of the convertible notes during the period was set out below:

Six months period ended 30 September 2018	**Unaudited Financial liabilities at fair value through profit or loss** *HK$'000*
Opening balance	—
Additions	38,800
Changes in fair value of convertible notes *(Note 8)*	4,090
Closing balance	42,890

20 TRADE AND OTHER PAYABLES AND ACCRUALS

	Unaudited As at 30 September 2018 ***HK$'000***	Audited As at 31 March 2018 *HK$'000*
Trade payables	**4,708**	4,637
Payables to sellers in respect of auction and related business	**186,785**	348,035
Other payables and accruals	**21,240**	24,297
	212,733	376,969
Less: Non-current portion:		
— Other payable	**(6,201)**	(6,149)
Current portion	**206,532**	370,820

Payables to sellers in respect of auction and related business represent the purchase price of auction articles payable to sellers less seller commissions and other auction related receivable.

The non-current other payable as at 30 September 2018 and 31 March 2018 represents the Group's obligation to pay for the employee benefits of a director of the Group, which will be settled after 12 months from the balance sheet date.

Ageing analysis of the trade payables at the respective balances sheet dates based on invoice date are as follows:

	Unaudited As at 30 September 2018	Audited As at 31 March 2018
	HK$'000	*HK$'000*
Within 30 days	**4,708**	4,637

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 11 October 2018, the Group successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. This is a significant step of the milestones of the Group. Hong Kong, as a world-renowned financial centre, is also an important hub of arts and culture in Asia. The successful listing in Hong Kong has provided the Company with a wider platform, which enables us to rapidly and intensively expand into the Asian and even the global market and ignites the strong growth engine for the Company's future development.

During the Reporting Period, the Company recorded a revenue of approximately HK$62.9 million, while the loss attributable to the owners of the Company was approximately HK$13.7 million, and the basic and diluted loss per share were approximately HK 3.65 cents. The Board does not recommend the payment of interim dividend for the Reporting Period.

Since extra costs had been spent on our listing project, together with the fair value loss arising from the convertible notes issued to the investors, we experienced a declined result for the Reporting Period. However, by excluding the aforesaid factors, our Group had actually achieved a profit attributable to the owners of the Company of approximately HK$4.4 million, which represented a decrease of approximately 24.4% when compared to the corresponding period in 2017.

In May 2018, the Group held the 2018 Spring Auction in Hong Kong, during which we held four sessions, including "Fine Chinese Modern Paintings" (中國近現代書畫), "Fine Chinese Classical Paintings and Calligraphy" (中國古代書畫), "ICHIGO ICHIE — The Art of Tea Ceremony" (一期一會 · 聽茶聞香) and "Important Chinese Ceramics and Works of Art" (中國重要瓷器和藝術品), offering 655 auction lots, out of which 375 were sold at an aggregate hammer price of approximately HK$85.3 million. As always, fineness continued to be the principle of this year's Spring Auction in Hong Kong, featuring a small number of superior auction lots which are well-documented art treasures handed down from generation to generation. In "ICHIGO ICHIE — The Art of Tea Ceremony" session, we set up two small sessions, namely "Sencha Tea Ceremony" (煎茶道) and "The Art of Contemporary Literati" (當代文人藝術), with most of the hammer price far exceeding the valuation.

The Group believes that a top-quality brand name and a strong and established customer base are the foundation of the auction house. Auction houses with profound brand influence and professional services are in better position to attract collectors to bring in their premium collections. After building a good reputation among its peers, the number of sellers and buyers will increase gradually while high-quality auction lots will accumulate, thus forming a virtuous circle. For this reason, in addition to the routine operations of preview exhibitions and joint art exhibitions during the Reporting

Period, the Group also held the 8th Anniversary Tokyo Chuo Auction, an exhibition tour of the finest large-scale overseas auction lots, in Hangzhou, Xiamen, Shenzhen in July 2018, so as to allow art lovers to catch an early glimpse of the captivating premium auction lots and attract more potential clients while serving as a solid footing for the later Japan Autumn Auction and Hong Kong Autumn Auction. Despite the increases in related travelling and labour expenses, the Group believes that these expenditure would lay a good foundation of public acclaim for the Group's future expansion of its customer base and business.

We also launched our 2018 Autumn Auction in Japan, which was held in early September 2018, during which we held 14 sessions, including "Grand Artworks of Wood Engravings from Famous Ming and Qing Dynasty Artists" (明清名家雕刻竹木藝術精品), "Collection of Elegant Wood Engravings" (藏文房竹雕雅玩), "Important Ceramics" (重要瓷器) and "Evening Session of Chinese Artworks" (中國藝術品夜場), offering 3,075 auction lots, out of which 1,691 were sold at an aggregate hammer price of approximately JPY2,224.8 million.

Apart from organizing auctions, the Group always upholds the core idea of "promoting culture and valuing communication" while fostering cultural and art exchange activities. In April 2018, we cooperated with Suifeng Club and held the exhibition "Gao Mai — Collections of Painting in Ming Dynasty by Collectors" (高邁—明代書畫名家收藏展) at Kyoto Municipal Museum of Art Annex. At the same time, with the support from institutions including Xiling Seal Art Society (西冷印社), Chinese Printing House in Japan (全日本華人印社), Calligraphy Society (書道會), Cultural Department of Chinese Embassy in Japan (中國駐日本大使館文化部), the exhibition turned out to be a great success. We also invited over 40 VIP guests to participate in this cultural exchange and over 500 visitors participated in the exhibition. In May 2018, the Group cooperated with Hong Kong Art Craft Merchants Association (香港藝術品商會) in the 11th International Antiques Fair, which was held at Hong Kong Convention and Exhibition Centre, to launch the exhibition "Match Made in Heaven" (天作之合), which displayed close to 200 boxes, dated from ancient to modern period, for the appreciation of artwork lovers.

REVENUE

During the Reporting Period, the revenue of the Group was approximately HK$62.9 million (six months ended 30 September 2017: approximately HK$63.5 million), which represents a decrease of approximately HK$557,000 or approximately 0.9% as compared to the same period in 2017. The revenue from art auction and related business was approximately HK$62.9 million (six months ended 30 September 2017: approximately HK$57.4 million) which represents an increase of approximately 9.6%, and no income was generated from artwork sales (six months ended 30 September 2017: approximately HK$6.1 million).

The increase in revenue from art auction and related business was mainly because more artworks with higher value were sold through us during the Reporting Period.

GROSS PROFIT

During the Reporting Period, gross profit of the Group increased by approximately 10.1% to approximately HK$43.5 million (six months ended 30 September 2017: approximately HK$39.5 million) as compared to the same period in 2017. Meanwhile, the gross profit margin escalated to approximately 69.1% for the Reporting Period from approximately 62.2% recorded for the same period in 2017. The improvement in the gross profit margin was mainly caused by the increase in private sales, in which the direct cost is very minimal, during the Reporting Period. On the other hand, the sales of artworks for the six months ended 30 September 2017 recorded a gross profit margin of approximately 8.9% only, and made the overall gross profit margin lower.

OTHER LOSSES, NET

Other losses, net increased by approximately HK$3.9 million to approximately HK$4.1 million. It was mainly attributable to the increase in fair value of convertible notes amounted to HK$4.1 million.

OTHER INCOME

Other income mainly represents miscellaneous handling fees charged to customers during the auction in Japan, bidding deposits forfeited and penalties received from the buyers. Other income increased to approximately HK$3.0 million (six months ended 30 September 2017: approximately HK$1.8 million). It was mainly due to the penalty charged to a customer during the Reporting Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses consist primarily of employee benefit expenses paid to the sales and marketing staffs, advertising and promotion expenses, consultancy fee paid, transportation costs, travelling expenses and entertainment and business hospitality expenses. During the Reporting Period, approximately HK$19.0 million of selling and distribution expenses were incurred and an increase of approximately HK$1.4 million was recorded. Such increase was mainly due to the increase in consultancy fee paid to three consultants, who have been engaged to develop the contemporary artworks segment.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly represent the employee benefit expenses, travelling expenses, rental expenses, depreciation and listing expenses. During the Reporting Period, the administrative expenses upsurged by approximately 144.1% to approximately HK$35.5 million (six months ended 30 September 2017: approximately HK$14.6 million). Such increase in expenses was mainly caused by listing expenses of approximately HK$13.5 million, increase in employee benefit expenses of approximately HK$4.8 million as additional staff were hired for enhancing our strength in accounting function as well as internal control. Besides, we have rented a new premise as our office in Hong Kong in October 2017, extra rental expenses of approximately HK$1.4 million were incurred.

FINANCE COSTS, NET

Finance costs, net decreased by approximately HK$38,000 as compared to the same period in 2017. Such decrease was mainly due to increase in bank deposits interest income, netted off by an increase in interest paid for the bank borrowings.

INCOME TAX EXPENSE

Profits tax has been provided for our companies in both Hong Kong and Japan at the applicable rates on the estimated assessable profits. Effective tax rate based on the Adjusted Profits* before tax for the Reporting Period was approximately 23.8% while it was approximately 29.3% for the same period in 2017. The fall in the effective tax rate was because the tax rate in Hong Kong is more favorable than that in Japan, and during the Reporting Period, the profit of our Company was higher while the profit of the Company's subsidiary in Japan was lower, when comparing to same period in 2017.

**Note*: Adjusted Profits is calculated by adding back the listing expenses, changes in fair value of convertible notes, and other one-off nature expenses related to the listing for the Reporting Period.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Reporting Period, the Company recorded a loss attributable to owners of the Company of approximately HK$13.7 million (six months ended 30 September 2017: profit attributable to the owners of the Company of approximately HK$5.8 million). The slump of our profitability during the Reporting Period was mainly due to the listing expenses, changes in fair value of convertible notes and other one-off nature expenses related to the listing project.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated resources and banking facilities. As at 30 September 2018, the Group had net current assets of approximately HK$80.2 million (as at 31 March 2018: approximately HK$92.7 million) while the Group's cash and cash equivalents amounted to approximately HK$164.9 million (as at 31 March 2018: approximately HK$70.4 million).

As at 30 September 2018, the Group had interest-bearing bank borrowings of approximately HK$20.7 million and of which approximately HK$18.8 million was repayable within one year.

As at 30 September 2018, the Group had finance lease liabilities of approximately HK$955,000 and of which approximately HK$405,000 million was repayable within one year.

As at 30 September 2018, the Group had issued convertible notes to six independent investors with aggregate principal value of approximately HK$38.8 million. Details of the convertible notes are set out in note 19 to the announcement and the prospectus of the Company dated 27 September 2018.

As at 30 September 2018, the Group's net gearing ratio was calculated on the basis of the amount of interest-bearing borrowings less cash and cash equivalents divided by shareholders' equity, and the Group was in net cash position (as at 31 March 2018: net cash).

CAPITAL COMMITMENTS

As at 30 September 2018, the Group had no any material capital commitment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 September 2018, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any significant investments nor material acquisition and disposal during the Reporting Period.

TREASURY POLICIES

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Japanese Yen and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

INTERIM DIVIDEND

The Directors of the Company does not recommend the payment of an interim dividend for the Reporting Period.

CAPITAL STRUCTURE

During the Reporting Period, the Group's operation was mainly financed by funds generated from its operation and borrowings. As at 30 September 2018, the borrowings were mainly denominated in Japanese Yen, while the cash and cash equivalents held by the Group were mainly denominated in Japanese Yen and Hong Kong dollars. All of the Group's borrowings were floating rate borrowings and no hedging has been employed by the Group during the Reporting Period. The Group's turnover is mainly denominated in Japanese Yen and Hong Kong dollars, while its costs and expenses are mainly denominated Japanese Yen and Hong Kong dollars. As majority portion of the

Group's assets, liabilities, revenues and payments during the Reporting Period were denominated in either Japanese Yen or Hong Kong dollars, and in view of the prevailing macro-economic environment, the Group may be exposed to the foreign exchange rate risk. The Group will closely monitor the volatility of foreign exchange rate and apply the appropriate hedging strategy as and when appropriate.

HUMAN RESOURCES

As at 30 September 2018, the Group had 28, 13, 3 and 1 full-time staff based in Japan, Hong Kong, Taiwan and the PRC respectively. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' base salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with applicable laws and regulations in Japan, Taiwan and the PRC respectively. The Group has adopted a share option scheme as a reward to eligible high-caliber employees and to attract similar high quality personnel that are valuable to the Group.

EVENTS AFTER THE REPORTING PERIOD

On 11 October 2018, the shares of the Company were listed on the Main Board of the Stock Exchange with total gross fund raised amounted to approximately HK$144.8 million. On the same date, a bonus issue of 374,967,178 shares were allotted upon successful listing of the Company. All of the convertible notes were converted into 28,512,722 ordinary shares as of listing date.

PROSPECTS

The year of 2018 has been a challenging and promising year for the Gourp, and we are determined to forge ahead against the market.

In 2018, despite the overall challenges arising from the unstable regional economic, political and financial environments of the globe and countries of the Asia Pacific Region, Hong Kong survived with its superb geographical location, being the center of Asia and close to Mainland market. Coupled with the well-established logistics and transportation facilities, as well as the implementation of duty-free policy for the import and export of artworks by the Hong Kong government, in recent years, Hong Kong has not only become an arts center within the region, but has also risen to be one of the world's top three art markets alongside London and New York. With the advantages of such a free and convenient trade environment, auction is one of the main channels for customers to purchase artworks.

Over the years, the Group has been conducting artworks auctions twice a year in Japan and Hong Kong respectively, and has been actively organizing roving exhibitions at home and abroad prior to the auctions. Exhibitions, art forums, public or private customer events were held to maintain good communication with collectors and to increase customer services satisfaction and loyalty. In addition, we have actively explored potential customers and consolidated our competitive strengths in order to broaden the network of the collection community and facilitate the growth of auction business. The Group believes that Hong Kong, as a pivotal gateway to Mainland China, is a mature art market with its rich cultural tradition and artistic ambience. With a discerning eye, collectors in Hong Kong have abundant collections and a high mobility, making the city one of the key markets where the Group seeks to explore in the future. The Group's marketing and brand promotion activities are integral parts of its effort to gain acclaim and build its reputation among the high net worth individuals in the Asia-Pacific region. The Group will further develop its auction business in the Asia-Pacific region with these initiatives and broaden its customer base for its further growth to become an international auction house.

According to the analysis of auction results in recent years, the demand for Asian artworks from global collectors has increased rapidly, among which the proportion of Chinese buyers has significantly increased. Following the successful fund-raising through listing, the Group is determined to expand from regular auction areas to develop diversified segments and further discuss the establishment of auction items including contemporary arts and jewellery, so as to satisfy the diversified demands of collectors and clients; forming a professional team and recruiting experienced personnel, the Group endeavors to build a trustworthy auction brand for Asian collectors so as to gather artefacts from legitimate sources.

Looking ahead, while the Group currently devotes to exploring different business opportunities in different parts of the world, it has also initiated the research of several new projects. We are looking to further enhance our position in the local auction market and market share in order to deliver long-term returns to our shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the period since the listing on 11 October 2018 and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code since Listing and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors' securities transactions throughout the period since Listing and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, namely, Ms. Lam Suk Ling Shirley, Mr. Chung Kwok Mo John, and Mr. Chun Chi Man. Ms. Lam Suk Ling Shirley is the chairlady of the audit committee. The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited interim condensed consolidated financial information of the Group for the Reporting Period, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.chuo-auction.com.hk). The interim report of the Company for the Reporting Period will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Tokyo Chuo Auction Holdings Limited
東京中央拍賣控股有限公司
Ando Shokei
Chairman

Hong Kong, 27 November 2018

As at the date of this announcement, the executive Directors are Mr. Ando Shokei, Mrs. Ando Eri, Mr. Katsu Bunkai, Mr. Sun Hongyue and Mr. Yau Chung Hang; the non-executive Director is Mr. Yang Yi Chung; and the independent non-executive Directors are Mr. Chung Kwok Mo John, Ms. Lam Suk Ling Shirley and Mr. Chun Chi Man.